

FISCAL IMPACT STATEMENT ON BILL NO. **S.332, as Amended on March 21, 2007**
(Doc. No. Unknown)

TO:	The Honorable Glenn McConnell, Chairman, Senate Judiciary Committee		
FROM:	Office of State Budget, Budget and Control Board		
ANALYSTS:	Beth Campbell, Ken Brown, and Allan Kincaid		
DATE:	March 27, 2007	SBD:	2007280

AUTHOR:	Senate Judiciary Committee	PRIMARY CODE CITE:	38-55-530
SUBJECT:	Workers' Compensation Reform		

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:
See Below

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:
See Below

BILL SUMMARY:

Senate Bill 332, as amended, would amend multiple sections of the Code of Laws of South Carolina, 1976, affecting the payment of Workers' Compensation claims, the number of Workers' Compensation Commissioners, and the dissolution of the Second Injury Fund.

EXPLANATION OF IMPACT:

Workers' Compensation Commission

The Commission reports it would require 4.00 new FTEs for two Commissioners and two Administrative Assistants at an annual cost to the General Fund of \$530,000 for salary, fringe and other operating expenses. There would also be a non-recurring cost to the General Fund of \$30,600 for other operating expenses due to office setup.

Attorney General's Office

The Office reports it would require 1.00 new FTE for a Forensic Accountant at an annual cost to the General Fund of \$108,000 for salary, fringe and other operating expenses.

State Budget and Control Board

Since Section 42-7-320(A) of the Bill provides that funding for administrative costs shall be paid from the Second Injury Fund, therefore, there will be no impact on the General Fund of the State.

State Accident Fund

The Agency indicates this Bill has the potential for an overall reduction in the cost of workers' compensation claims. However, the agency is unable to estimate the reduction in claims expenses due to the multiple numbers of factors involved. The Uninsured Employers' Fund would be moved to the State Accident Fund, but there will be no impact on Federal and/or Other Funds. Dissolution of the Second Injury Fund may indirectly result in a minimal increase in premiums. However, this increase is anticipated to be short-term and is projected to be offset by anticipated savings noted in this Bill.

Second Injury Fund

The Fund reports this Bill may have a minimal cost to the Uninsured Employers' Fund due to an increase in workers' compensation claims costs. This Bill will also significantly reduce the number of accepted claims. However, there will not be a significant impact on the payout of claims or on administrative costs until the

fourth or fifth year after enactment. The Bill will also reduce the assessment to all insurance carriers, including the State Accident Fund. The carriers will see an immediate reduction in their Fiscal Year 2007 annual assessment. There will be no additional costs to Federal and/or Other Funds until July 1, 2013, when the agency no longer accepts claims.

Department of Insurance

The Department indicates that this Bill would have a minimal impact on the General Fund of the State which would be absorbed within existing resources.

The Senate and the House of Representatives

The Legislature indicates there will be an additional cost for the proposed Bill. The committee will consist of 6 legislators. The cost per legislator per one-day meeting is \$235 per person. The total cost will be \$1,410 per meeting.

Recapitulation

There will be an annual cost to the General Fund of \$638,000 with 5.00 new FTEs and a non-recurring cost to the General Fund of \$30,600. For every meeting of the Workers' Compensation Study Committee, there will be a daily cost to the General Fund of \$1,410. However, there will also be a savings of General, Federal and Other Funds based on reduced claims costs. Estimated savings amount is undeterminable. With the dissolution of the Second Injury Fund, there will be a significant reduction in Second Injury Fund payouts starting in fourth or fifth year after enactment. There will not be additional costs to Federal and/or Other Funds until July 1, 2013, when the Second Injury Fund no longer accepts claims.

LOCAL GOVERNMENT IMPACT:

None.

SPECIAL NOTES:

The Second Injury Fund has indicated the dissolution of the Fund would lead to an increase in workers' compensation insurance premiums for private employers. The increase, based on NCCI estimates, could be as much as 17%.

Approved by:



Harry Bell
Assistant Director, Office of State Budget